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Central Intelligence Agency



Washington, D.C. 20505

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21 March 1986

OCA 86-0858

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Frey:

This is in response to your request for the Agency's views on the Office of Personnel Management (OPM) draft bill to reform the existing Civil Service Retirement System (CSRS).

In reviewing the draft bill we find it substantively similar to last year's proposal. Thus, our response remains as that provided last year in the two letters to the Director, Office of Management and Budget from the Director of Central Intelligence (DCI). For your convenience and reference, I have attached both of these letters dated 11 and 18 March 1985.

Essentially, the Agency uses its retirement systems as a vital management tool to ensure that we recruit, retain, and manage the young vigorous cadre that is necessary to meet the time and pressure sensitive demands of our foreign intelligence mission. Retention of retirement at age 50 for those officers qualifying for CIA Retirement and Disability System (CIARDS) participation is essential. We are pleased to see that the OPM bill recognizes the necessity for maintaining the CIARDS retirement age at 50, with unreduced benefits.

At the same time, we continue to maintain that the CSRS retirement age of 55 with unreduced benefits should continue to be applicable to our non-CIARDS type employees. As stated by the DCI in last year's correspondence, the special requirements and mission of the CIA involve all of its employees in a number of ways unique to the Government. The Congress mandated special status for CIA employees and its impact on all in the CIA is the basis for a personnel system different than any other Agency: from recruitment to retirement. While a five-year difference in retirement age between those in CIARDS and those in CSRS is manageable, a twelve-year difference would be severely damaging

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to our ability to meet our personnel requirements and to fulfill our mission. Such a situation would shatter the existing Agency culture and risk paralyzing a work force, which to be effective, must be treated equitably if we are to maintain our security and cover commitments.

We, therefore, urge that all CIA employees should be included in the special groups exempted from the provision imposing penalties for early retirement.

Sincerely,

[Redacted Signature]

David D. Gries
Director, Office of Congressional Affairs

Enclosures

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OCA/LEG [Redacted] pap (24 March 1986)



Washington, D.C. 20505

Executive Registry

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11 MAR 1985

The Honorable David A. Stockman
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Dave:

I have now had an opportunity to review the specific proposals to reform the federal retirement system by amending Title 5 of the U.S. Code. There are many aspects of the proposal that I fully endorse as necessary steps to reduce the costs involved in federal retirement systems. My responsibility as the Director of Central Intelligence, however, requires me to ask that employees of the Central Intelligence Agency be exempt from any reduction in annuities for retirement at ages prior to age 65. Moreover, I ask you to reconsider the recommendation that survivor benefits would not be payable if the beneficiary had not obtained age 60 or age 50 or if he or she has a surviving child of the employee.

I am sure you will agree that in these tense times our Nation's first line in defense is in intelligence. Recognizing this, in the past four years this Administration has improved immeasurably the intelligence capabilities of this government. It would be extremely unwise to threaten this achievement by severely reducing my ability to recruit and retain the caliber of individuals we have historically attracted.

I have read George Shultz' letter to you on this same subject and fully endorse everything he says as equally applicable to our employees. George has articulated clearly the management problems that will arise if we do not have the ability to move the right people into the right places at the right time. This requires a core of personnel who are prepared to go anywhere in the world as the national interest requires. Ultimately, it also means that we must move people into retirement so that we can prepare the next generation of intelligence officials. He notes that between the ages of 50 and 54 more than half the people in the Foreign Service are not available for worldwide duty because either the employee or a member of the family is unable to qualify for full medical clearance. Because of the unique demands placed on intelligence personnel, our figures are even more grim. We find that after age 50 nearly 50 percent of our employees are not eligible for full service medical clearances. Were we to include those who cannot travel due to family medical constraints, the figure would be even more stark.

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In addition to the purely clinical health hazards involved in worldwide service, Agency personnel are confronted with psychological stresses which over the long haul extract a health toll just as great. In addition to the subtle factors of cultural translocation and family disruption, there are not infrequently highly traumatic events. Scores of employees have been in prison, sometimes for years, or otherwise harassed when their Agency affiliation became known. Employees and their families confront the more diffuse crises associated with civil disorder, terrorism, and exceptionally high local crime rates. No person of comparable social background is subjected to even remotely comparable factors in the American suburban setting in which our employees otherwise would have remained.

You must also appreciate what the current worldwide epidemic of terrorism means in trying to manage an organization whose employees must daily confront this reality and who, because of their Agency affiliation, are particularly vulnerable. Since 1968, there have been over 8,500 terrorist incidents worldwide, over 3,500 of which were targetted against Americans. Regrettably, the end to this scourge is not yet in sight. Indeed, it is one of my most pressing responsibilities to help negate this menace. To do it I need a young and vigorous work force medically and psychologically able to handle the stress and sufficiently courageous to accept the obvious dangers involved. In this regard, I am particularly dismayed to note that while the annuity reduction would not apply to law enforcement officers, firefighters, or other special groups, it would apply to the Central Intelligence Agency. Surely, reality and reason would require that the Central Intelligence Agency, which has lost 50 of its colleagues in the line of duty, a figure which far exceeds our domestic counterparts, deserves at least equal treatment.

Several security considerations unique to our profession buttress further our need for a flow-through personnel system allowing for early retirement. Prolonged service in operational environments increases the risk of identification of our operatives to hostile intelligence, internal security, or terrorist organizations. Anonymity is a critical ingredient for a successful intelligence officer. Personal security inevitably erodes with time and new operatives must constantly be put into the system. To maintain balance in the personnel structure, older, more exposed individuals must be allowed to retire.

Proposed modifications in the retirement system also threaten the security of our sources and methods which I am obligated by law to protect. Ironically, the revised retirement proposals would cause our older employees who should leave, to stay, and our younger employees, who should stay, to leave. Our officer corps is recruited generally from the recent college

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graduate pool, roughly the 20 to 25 year-old age group. While it is to the Government's disadvantage to keep these people for 40 years for the reasons previously stated, it is equally disadvantageous from a security standpoint to permit them to leave our service in less than 20 to 30 years without an adequate retirement. Agency employees have access to highly classified information from the beginning of their employment. We have long recognized the inherent security risks to national security of a short-term, transient work force. Given the extraordinary sensitivity of our mission, we must have a career track which retains staff for a full career but promises them the early opportunity to retire.

It will be helpful to you in understanding my position if I make a few observations about a typical CIA employee. Entering on duty, the CIA employee becomes part of a world which is generally isolated, nomadic, idealistic, secretive and increasingly dangerous. In addition to those personal constraints common to the few in government who hold clearances at the CIA level, our employees must endure even more severe conditions. During every five-year period they are subject to full security reinvestigation. They have no job tenure. They may not travel abroad, publish articles, marry a non-U.S. citizen, or attend international conferences without advance Agency approval. They cannot receive public recognition for their professional achievements but, on the contrary, must suffer in silence innumerable calumnies.

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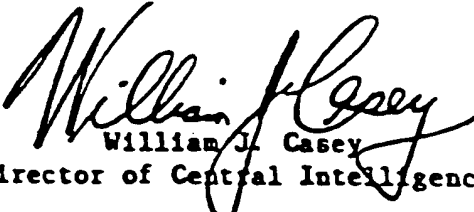
CIA is an excepted U.S. Government agency. As such, all employees are hired under the statutory authority of the Director and do not have Civil Service status through Agency employment. Consequently, CIA employees are statutorily excluded from tenure and from the protection and benefits derived by status under regular Civil Service laws and rules and regulations promulgated by the Office of Personnel Management. This is as it must be since the Director must have full and final authority to say when and where an employee will serve, at what duties and for how long. Congress and all administrations have historically recognized this authority. Indeed, Don Devine in his statement on February 23, 1984, before the House Committee on Post Office and Civil Service acknowledged:

"We do have certain special groups of employees under Civil Service retirement, such as, law enforcement officers, firefighters, and air traffic controllers, as well as the persons covered by the Foreign Service and CIA retirement systems, for whom special arrangements may be necessary under the new plan similar to those under the current retirement system."

We have been successful over the years recruiting and retaining career-oriented employees dedicated to the mission of this Agency. Attrition rates among the lowest in the government, if not the Nation, attest to the existence of a healthy career organization. Fundamental to this, health has been the successful policy which recognizes burnout as a reality and allows our employees to retire early and with dignity.

I am confident you will agree that the critical mission of the Central Intelligence Agency fully justifies the need for its employees to retain their present retirement benefits. I therefore ask that Section 6 (a) of the proposed legislation be deleted and that Agency employees be added to the special groups exempted in paragraph (5) of Section 2.

Yours,


William J. Casey
Director of Central Intelligence

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Executive Registry

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18 March 1985

The Honorable David A. Stockman
Director, Office of Management and Budget
Executive Office Building
Washington, D.C. 20503

Dear Dave:

I am pleased with your recognition that the special overseas mission of CIA justifies continuation of eligibility for retirement with full benefits at age 50 for employees in the CIA Retirement and Disability System (CIARDs). However, the special requirements and mission of CIA involve all of our employees in a number of ways unique in the government. This legislatively mandated special status for CIA and its impact on all our people is the basis for a personnel system here different than any other agency -- from recruitment to retirement. That system and the mission of the Agency also requires the continuation of age 55 eligibility for full retirement benefits for those employees not qualified for CIARDs. This concern pertains both to the Administration's proposal for retirement reform and to possible supplemental legislation this year. [redacted]

There is ample legislative precedent for differentiating CIA from the Federal Civil Service. The Congress has provided the Director of Central Intelligence with special authorities with respect to personnel in order to accomplish CIA's unique mission. These authorities have no counterpart in the Federal government. DCIs have elected over the years to follow Civil Service practices when they meet CIA's needs. However, while a five-year difference in retirement age (between those in CIARDs and those not qualifying) is manageable, a 15-year difference would be severely damaging to our ability to meet our personnel requirements and to fulfill our mission. Because of Congress's recognition over the years of CIA's unique status and personnel needs, and for the additional reasons cited below, I believe our exemption from the change in non-CIARDs retirement age is justifiable and would not set any kind of precedent for other government organizations. [redacted]

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[redacted]

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Director, Office of Management and Budget

25X1 Of the President's retirement proposals, there is no problem for CIA in freezing the COLA, sick leave forfeiture or in changing the formula for computing benefits (from high-three to high-five). However, I firmly believe that deferring retirement age to 65 for non-CIARDs employees would be destructive of the organization and the capabilities we have developed here. In short, while CIA can and should participate in those aspects of retirement reform that will produce immediate financial benefit, we seek exemption from a change in the age of eligibility -- which would not produce any financial relief for many years but would have an immediate and destructive impact on CIA's ability to carry out its mission. [redacted]

In establishing CIA, Congress recognized the Agency's special personnel needs and the unique nature of the careers it would have to offer and the demands it would have to make. The 1949 CIA Act and subsequent legislation acknowledged the need for, and established, a CIA personnel system independent of the Civil Service to allow:

- intrusive personal investigation of applicants unparalleled in government;
- repeated security checks, including polygraphing, throughout a career;
- the need to foster 30 year commitment for career management as well as security reasons;
- severe limits on outside activities and personal lifestyle, even after departure or retirement from CIA;
- compensation for the dangers of overseas travel and service;
- both voluntary and involuntary attrition to ensure the utmost responsiveness, vigor and skill of the work force;
- the assignment of any employee at any time to physically demanding and stressful tasks anywhere in the world; and
- recruitment of individuals with special skills who could anticipate a second career when burnt out for CIA needs. [redacted]

25X1 Presidents and Congresses repeatedly since 1949 have reaffirmed the differentiation of CIA's personnel system -- and all its employees -- from the Federal Civil Service in recognition of the Agency's special mission. For example:

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Director, Office of Management and Budget

- The Congress granted the Agency special personnel authorities, including special termination authority, special hiring and pay authority, authority to pay death gratuities, authority to give additional classes of incentive awards, and to fix minimum and maximum age requirements for Agency employment.
- CIA was exempted from Civil Service Reform Act of 1978 which allowed creation of federal employee unions, established certain prohibited personnel practices and created Senior Executive Service system.
- CIA was exempted from the Drug Abuse Office and Treatment Act of 1972, which forbade denial of employment to former drug users.
- CIA was exempted from Federal Advisory Committee Act of 1972.
- CIA was exempted from Federal Employees Part-Time Career Employment of 1978.

To understand fully why all CIA employees should retain earlier eligibility for retirement, you need to know more about the indivisibility of the Agency -- that special requirements are made on all employees, not just the clandestine service or those who qualify for CIARDs.

Overseas Duty

Employment at CIA means work overseas, whether qualified for CIARDs or not.

- Only 36% of CIA employees currently serving overseas have qualified for CIARDs; the remaining 64% are covered under the Civil Service Retirement System (CSRS). Unlike members of the Foreign Service, all of whom are eligible for early retirement benefits from the moment they begin their careers, CIA employees must earn their way into CIARDs by serving five years overseas. Given our policy of rotating people in and out of the Washington area and sensitive domestic assignments, it takes time for employees to earn the five year credit. Obviously some never do, which explains why, in this overseas oriented organization, only 18.6% of the staff is in CIARDs.

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Director, Office of Management and Budget

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- Nearly two-thirds of the officers in our clandestine service presently have not qualified for CIARDs and are under the Civil Service Retirement System (CSRS).
 - CIA has [] employees who have served abroad but have not yet qualified for CIARDs.
 - Nearly 50% of Agency employees bear the lifelong burden of cover; yet, a majority of those under cover are not qualified for CIARDs.
 - Intelligence analysts responsible for interpreting foreign developments are going overseas in increasing numbers in direct response to both Congressional and Administrative mandates. In 1985, more than [] analysts will travel and work overseas. More than [] non-CIARDs qualified analysts are serving abroad in such dangerous posts as []
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- In addition to the obvious employment stresses overseas for which CIARDs was legislated, there are many other classes of Agency personnel whose duties in the United States are physically and emotionally demanding, and for whom the Agency traditionally fostered an early retirement -- age 55. Examples include people handling munitions, trainees in paramilitary, weaponry, parachute jumping, photointerpreters who experience intense and constant eye strain, polygraph operators who are consistently faced with confrontational situations and numerous other physically demanding jobs requiring stamina and mental alertness. []

Stress and Danger

Overseas service is becoming more dangerous for all Americans, but especially for employees of CIA. The mortality figures for our people are grim.

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- Since the early 50s, [] Agency employees have died serving abroad. Only [] were CIARDs qualified.
 - We have 50 gold stars in our entry foyer honoring our colleagues who died from hostile action or while participating in highly dangerous Agency activities. Only 10 (20%) were CIARDs qualified.
 - One of the two most senior CIA officers slain in hostile action overseas was the director of a headquarters analytical office.
 - After age 50, nearly 50% of all our employees are not eligible for full service medical clearance.
 - In addition to the clinical health hazards of worldwide service, Agency personnel are confronted with psychological stresses which over the long haul extract a health toll just as great.
 - Our employees traveling and working overseas suffer not only frequent family disruption, but also civil disorder, constant tension borne of awareness of the terrorist threat, and exceptionally high local crime rates. This is all magnified by the requirement that our people -- case officers, technicians and analysts -- frequent remote areas and endure primitive conditions in the countryside. []
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Special Skills

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The risk of loss to the Agency of high tech, engineering, economic, computer and other scarce skills -- people who are particularly well qualified for jobs in private industry, -- would be particularly dangerous to our national interest. []

These are the people:

- whose research in the U-2 program provided the medical basis on which NASA later built its space survival knowledge;
- whose imagination and energy created the program which brought the first photographic satellite back from space;
- whose creativity in high performance aircraft design was used by Boeing when planning the SST;

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-- who have built advanced computer systems with capabilities and applications unique in the world;

-- and who have done all these tasks at or below budget and on schedule.

Can we expect these people or their successors to accept a career of 35 or 40 years? They won't do it and we'll be confronted with two unacceptable realities. The best in the mid level career range (age 35-40) will leave while they can still start a second career rather than face an additional 10 years in government duty. Never employees will join us with the intent to stay a short time, get their tickets punched and then move back into industry. That represents a security nightmare. In short order, large numbers of people who were privy to some of our most sensitive information will be spread all around the country beyond our security ethic.

The Central Intelligence Agency works because we are able to offer people an attractive career track which, while it demands much, allows them to leave early enough to pursue second careers if they so choose. The Director of Central Intelligence, to fulfill his obligations, needs a personnel system which allows for a healthy flow-through of staff. Such a system now exists. It should not be changed.

A Single Agency

CIA is a single and indivisible Agency with a single culture and ethic. Agency employees understand and accept a two-tiered retirement policy which provides some the privilege of retiring five years earlier because they know the grueling hardships of a prolonged overseas career. None could, or indeed should, understand a rationale which would call for a 15 year spread between those in CIARDs and the majority performing similar work outside CIARDs. Such a situation would shatter the existing Agency culture and risk polarizing a work force which to be effective must work as a team.

The problems of a two-tiered work force with a dramatic disparity between the two groups last arose in 1968. In response to such a proposal, the DCI at the time affirmed that:

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Director, Office of Management and Budget

"Attempts to formulate criteria of differentiation would generate new problems of morale and administration. The creation of exempt categories of employees would foster odious comparisons. It would thwart the implementation of the general retirement policy indefinitely as groups and individuals pleaded their individual cases.

"The more fundamental reason for not exempting certain categories of Agency employees is that the work of the Agency must be performed with utmost responsiveness. This requires a general state of mind on the part of all employees that timeliness is critical, accuracy is imperative, and absorption with the task at hand takes priority over personal distractions. Advancing years inevitably bring about a lessening of work vigor and enthusiasm. The larger the proportion of older employees, the greater the debilitating effect on the tenor of the Agency."

Cost

Because the underlying motive for changes in the retirement system is to save money, I would make one further observation. Surveys of our employees and of scores of university placement directors make clear that turnover in our work force would increase dramatically with age 65 retirement inasmuch as the kind of people we must seek and hire would not remain here for a career ending at that age. While I have addressed the security and performance implications of such turnover, you should know that this would result in significant added costs -- probably three to five times present expenditures -- for recruitment and security investigations. These costs would largely offset any savings of later retirement.

All CIA employees must make many sacrifices unique in either the public or private sectors. They have no job security. They must be available for duty wherever in the world I deem they can be best used. In their overseas work, they face real and increasing dangers. Their families are disrupted. They burn out younger than their contemporaries elsewhere. Successive Presidents and Congresses have recognized these special problems by differentiating CIA from the Federal Civil Service from recruitment to retirement. The basic need and rationale for this still prevail.



William J. Casey
Director of Central Intelligence